

## Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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R 050900Z DEC 76  
FM AMEMBASSY TRIPOLI  
TO SECSTATE WASHDC 3859

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E.O. 11652: NA  
TAGS: ECON, LY  
SUBJ: LIBYAN NATIONAL CONGRESS: BUDGETS AND THE ECONOMY

1. THE LIBYAN NATIONAL CONGRESS WHICH CONCLUDED NOVEMBER 24 SPENT CONSIDERABLE TIME DISCUSSING PROPOSED BUDGETS AND THE STATE OF THE LIBYAN ECONOMY. THE PICTURE PRESENTED TO THE CONGRESS IN MACRO ECONOMIC TERMS WAS VERY ROSY INDEED. IN MICRO TERMS THE PICTURE WAS SOMEWHAT LESS OPTIMISTIC. PROGRESS IN ECONOMIC DEVELOPMENT WAS ALWAYS MEASURED IN TERMS OF LEVELS ACHIEVED IN DEVELOPMENT SPENDING. THE SESSIONS OF THE CONGRESS SERVE TO DEMONSTRATE LEGITIMACY OF QADHAFI'S RULE AND THEY ARE NOT A PRECISE GUIDE TO THE LIBYAN ECONOMY OR A SEARCHING EXAMINATION OF THE GOVERNMENT'S SPENDING PLANS. ADMINISTRATIVE AND DEVELOPMENT BUDGETS WERE APPROVED IN PRINCIPLE AND THEY CONTAIN THE SAME PRIORITIES AS IN THE PAST TWO YEARS. THE SPECIAL ALLOCATIONS BUDGET AND FURTHER EXTENSION GOVERNMENT CONTROLS OVER FOREIGN TRADE WERE NOT DISCUSSED.

2. NATIONAL INCOME: IN HIS PRESENTATION, THE NEWLY APPOINTED MINISTER OF PLANNING TOLD THE CONGRESS THAT NATIONAL INCOME HAD BEEN 15.6 BILLION DOLLARS IN 1975  
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AND WOULD AMOUNT TO 22.4 BILLION DOLLARS IN 1976.

THESE AMOUNTS SEEM OVERLY OPTIMISTIC. OTHER ECONOMIC OBSERVERS IN LIBYA ESTIMATED THAT 1975 GROSS DOMESTIC PRODUCT WILL COME TO JUST OVER 13 BILLION DOLLARS AND 1976 GDP SHOULD BE BETWEEN 16 AND 17 BILLION DOLLARS. IN RECENT YEARS OIL PRODUCTION HAS ACCOUNTED FOR APPROXIMATELY HALF OF LIBYAN GDP. THE MINISTER ALSO SAID THAT LIBYAN PER CAPITA INCOME IS NOW THE HIGHEST IN AFRICA AND IS COMPARABLE TO THAT IN A NUMBER OF EUROPEAN COUNTRIES. HE SAID THAT PER CAPITA INCOME HAD RISEN FROM 2,288 DOLLARS IN 1971 TO 4,618 DOLLARS IN 1975. THE MINISTER ESTIMATED PER CAPITA INCOME IN 1976 AT 5,185 DOLLARS AND THAT IT WOULD REACH 6,064 DOLLARS BY 1980.

3. ADMINISTRATIVE (REGULAR) BUDGET: AN ADMINISTRATIVE OR CENTRAL GOVERNMENT BUDGET OF 575 MILLION DINARS WAS APPROVED FOR 1977. OF THAT AMOUNT THE MINISTRIES OF EDUCATION, HEALTH, MINICIPALITIES AND INTERIOR ARE TO GET THE MAJOR PORTION, SOME 353 MILLION DINARS. PRIME MINISTER JALLUD, IN PRESENTING THE ADMINISTRATIVE BUDGET, COMPLAINED THAT THESE EXPENDITURES HAVE RISEN EXCESSIVELY--FROM 170 MILLION DINARS IN FISCAL YEAR 1968-1969 TO ABOUT 550 MILLION DINARS IN 1976 (THE 1976 ADMINISTRATIVE BUDGET WAS SET AT 500 MILLION DINARS LAST JANUARY AND THE EXTRA 50 MILLION DINARS MENTIONED BY JALLUD PROBABLY REPRESENTS AN OVER-RUN). JALLUD COMPLAINED THAT IF ADMINISTRATIVE BUDGET ALLOCATIONS INCREASED BY 15 PERCENT A YEAR, THE BUDGET WOULD REACH 700 OR 800 MILLION DINARS IN 1980. HE SAID THIS MOUNTING SPENDING MEANS THAT ADDITIONAL REVENUES WOULD HAVE TO BE TAKEN FROM LIBYA'S OIL INCOME WHICH SHOULD RATHER BE DEVOTED TO DEVELOPMENT SPENDING INSTEAD OF THE "UNPRODUCTIVE" CENTRAL GOVERNMENT BUDGET. JALLUD CALLED FOR A CURB ON INCREASES IN THE ADMINISTRATIVE BUDGET AND MEASURES TO PROMOTE OTHER (I.E., NON-OIL) REVENUES. JALLUD ALSO COMPLAINED THAT THE CITIZENRY IS AVOIDING PAYING TAXES AND CUSTOMS DUTIES, THE PROCEEDS OF WHICH ARE DEVOTED TO THE REGULAR BUDGET. LIBYAN GOVERNMENT REVENUES ARE DOMINATED BY RECEIPTS FROM OIL, WHICH ACCOUNT FOR SOME 90 PERCENT OF THE LIMITED OFFICIAL USE

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LARG'S TOTAL REVENUES. CUSTOMS AND EXCISE DUTIES ACCOUNT FOR MOST OF THE GOVERNMENT'S NON-OIL REVENUES. LIBYAN ADMINISTRATIVE EXPENDITURES HAVE GROWN RAPIDLY IN RECENT YEARS DUE TO INCREASED SPENDING ON HEALTH, EDUCATION AND DEFENSE. THE INCREASE IN ADMINISTRATIVE EXPENDITURES PROBABLY REACHED 45 PER CENT IN 1974 BUT NON-OIL REVENUES HAVE ALSO INCREASED RAPIDLY DUE TO

THE GENERAL EXPANSION OF THE LIBYAN ECONOMY AND A LARGE INCREASE IN IMPORTS. TAX RATES HAVE NOT BEEN RAISED. IN FACT, NON-OIL REVENUES HAVE EXCEEDED LARGE ESTIMATES THE PAST TWO YEARS AND WILL PROBABLY DO SO AGAIN THIS YEAR. THE PROPORTION OF OIL REVENUES DEVOTED TO THE ADMINISTRATIVE BUDGET HAS NOT RISEN IN RECENT YEARS.

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4. DEVELOPMENT BUDGET: CONGRESS PARTICIPANTS DISCUSSED A DEVELOPMENT BUDGET FOR 1977 ESTIMATED AT 1.47 BILLION LIBYAN DINARS, AN INCREASE OVER THE 1976 1.28 BILLION LIBYAN DINAR BUDGET. QADHAFI SAID THAT THE CONGRESS'S DISCUSSIONS HAD SHOWN THAT THERE WAS INADEQUATE DISTRIBUTION IN DEVELOPMENT AND THAT THE LOCATION OF SOME DEVELOPMENT PROJECTS WOULD BE CHANGED. THERE WOULD ALSO BE A REORGANIZATION OF FINANCIAL ALLOCATIONS IN THE PLAN. THE 1977 DEVELOPMENT BUDGET WOULD BE SUBMITTED TO A COMMITTEE AND AN AMENDED BUDGET WOULD BE ISSUED AT SOME UNSPECIFIED FUTURE DATE. THE MINISTER OF PLANNING SAID THAT 5-YEAR PLAN SPENDING WAS NOW SET AT 7.8 BILLION LIBYAN DINARS, UP FROM THE 7.17 DINARS ESTIMATED LAST JANUARY. QADHAFI COMPLAINED THAT PARTICIPANTS OF THE CONGRESS WERE DEMANDING PROJECTS

WHICH HAD ALREADY BEEN INCLUDED IN THE 5-YEAR PLAN. HE SAID THAT THE SOLUTION TO THIS UNHAPPY STATE OF AFFAIRS WOULD BE TO PUBLISH A 5-YEAR PLAN FOR THE CONSIDERATION AND STUDY OF CONGRESS (HE NOTED THAT WE LEARN SOMETHING NEW FROM THESE CONCLAVES EVERY YEAR). QADHAFI NOTED THAT THE CONGRESS WOULD NEED TO MEET FOR A MONTH OR SO EACH YEAR IN THE FUTURE TO LIMITED OFFICIAL USE

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STUDY THE PROPOSED DEVELOPMENT PLAN. THE MINISTER OF PLANNING TOLD CONGRESS THAT THE 5-YEAR PLAN AIMS AT REALIZING AN AVERAGE GROWTH RATE OF 10 PER CENT. THE 1976 PLAN HAD ACHIEVED AN 18 PER CENT RATE THIS PAST YEAR ACCORDING TO THE MINISTER. SPENDING UNDER THE 1976 DEVELOPMENT BUDGET SEEMS TO HAVE AVERAGED LESS THAN 55 PERCENT THROUGH THE THIRD QUARTER, A LOWER RATE THAN DEVELOPMENT SPENDING IN RECENT PAST YEARS. EXPENDITURE RATES DISCUSSED SPETEL.

5. IN SOME RESPECTS THE CONGRESS WAS MORE INTERESTING FOR WHAT WAS NOT ON THE AGENDA. THERE WAS NO PUBLIC AIRING OF THE SPECIAL ALLOCATIONS BUDGET WHICH IS PROBABLY LARGER THAN THE CENTRAL GOVERNMENT BUDGET. THERE "SPECIAL" ALLOCATIONS INCLUDE SUBSIDIES, FOREIGN AID, AND MILITARY SPENDING. THE LATTER TWO ARE HIGHLY CONTROVERSIAL SUBJECTS HERE SINCE QADHAFI IS VULNERABLE TO CHARGES OF SQUANDERING THE NATIONAL PATRIMONY. QADHAFI'S PLANS FOR CONSCRIPTION WERE NOT AIREDESPITE THE IMPORTANCE TO THE ECONOMY OF THESE MEASURES WHICH AFFECT LIBYA'S VERY TIGHT MANPOWER POOL. INSTEAD, THE CONGRESS EXAMINED INCREASING WORKING HOURS AND ENCOURAGING PARTICIPATION OF WOMEN AND STUDENTS IN THE COUNTRY' WORK FORCE. LAST YEAR'S PROMISES TO TAKE OVER FOREIGN TRADE AND FURTHER EXTEND STATE CONTROL OVER THE PRIVATE SECTOR WERE NOT RAISED AGAIN THIS YEAR. BUT NEITHER WAS THE COMMERCIAL COMMUNITY GIVEN ANY ASSURANCES OVER ITS FUTURE. CARLE

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